Cartier Resources Inc.

(an exploration company)

Financial statements

Years ended December 31, 2013 and December 31, 2012

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Cartier Resources Inc.

We have audited the accompanying financial statements of Cartier Resources Inc., which comprise the statements of financial position as at December 31, 2013 and December 31, 2012, and the statements of loss, statements of comprehensive loss, statements of deferred exploration costs, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cartier Resources Inc. as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Deloitte LLP[1]

April 17, 2014

[1] CPA auditor, CA, public accountancy permit N°. A109248

Cartier Resources Inc.

(an exploration company)

Statements of Financial Position
Years ended December 31,

(In Canadian $)

	2013	2012
	$	$
Assets		
Current		
Cash and cash equivalents (note 3)	**1,573,320**	2,670,297
Cash reserved for exploration (note 3)	**569,784**	873,129
Other short-term financial assets (note 4)	**100,000**	130,000
Receivables (note 5)	**131,527**	305,570
Prepaid expenses	**11,438**	19,866
	2,386,069	3,998,862
Non-current		
Property, plant and equipment (note 6)	**73,366**	100,255
Exploration assets and deferred exploration costs (note 8)	**9,988,164**	9,162,772
TOTAL ASSETS	**12,447,599**	13,261,889
Liabilities		
Current		
Accounts payables and accrued liabilities	**251,457**	211,530
Liability related to flow-through shares	**142,446**	238,440
	393,903	449,970
Non-current		
Deferred income and mining taxes (note 13)	**2,166,959**	2,198,723
TOTAL LIABILITIES	**2,560,862**	2,648,693
EQUITY		
Share capital (note 9)	**15,640,117**	14,966,939
Warrants	**2,021,677**	1,943,677
Contributed surplus	**1,126,766**	1,036,467
Deficit	**(8,601,823)**	(7,063,887)
Accumulated other comprehensive loss	**(300,000)**	(270,000)
TOTAL EQUITY	**9,886,737**	10,613,196
TOTAL LIABILITIES AND EQUITY	**12,447,599**	13,261,889

Basis of preparation and going concern (note 1),
Contingencies and commitments (note 15)

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board of Directors

(Signed) Philippe Cloutier, Director

(Signed) Daniel Massé, Director

Cartier Resources Inc.

(an exploration company)

Statements of Deferred Exploration Costs

Years ended December 31,

(In Canadian $)

	2013	2012
	$	$
Balance - Beginning of year	**8,092,393**	6,077,212
Expenses incurred during the year		
Geology	**384,852**	931,944
Geophysics	**-**	356,898
Drilling	**609,833**	1,141,443
Exploration office expenses	**41,256**	64,770
Surveying and access roads	**17,712**	144,478
Core shack rental and maintenance	**47,435**	81,976
Duties, taxes and permits	**25,104**	39,433
Depreciation of exploration equipment	**19,729**	18,855
Share-based payments-employees	**17,560**	29,282
Net expenses during the year	**1,163,481**	2,809,079
Write-off of exploration assets and deferred exploration costs	**(699,061)**	(661,204)
Tax credits payable (receivable)	**50,013**	(132,694)
Balance - End of year	**8,606,826**	8,092,393

The accompanying notes are an integral part of these financial statements.

Cartier Resources Inc.

(an exploration company)

Statements of changes in equity

Years ended December 31,

(In Canadian $)

	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Accumulated other comprehensive (loss)	**Total equity**
		$	$	$	$	$	**$**
BALANCE AS AT DECEMBER 31, 2012	57,904,145	14,966,939	1,943,677	1,036,467	(7,063,887)	(270,000)	**10,613,196**
Issue of shares	6,761,150	673,178	78,000	-	-	-	**751,178**
Effect of share-based payments	-	-	-	90,299	-	-	**90,299**
Net loss for the period					(1,537,936)		**(1,537,936)**
Change on fair value of other short-term financial assets					-	(30,000)	**(30,000)**
Total comprehensive loss					(1,537,936)	(30,000)	**(1,567,936)**
BALANCE AS AT DECEMBER 31, 2013	64,665,295	15,640,117	2,021,677	1,126,766	(8,601,823)	(300,000)	**9,886,737**

	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Accumulated other comprehensive (loss)	Total equity
BALANCE AS AT DECEMBER 31, 2011	49,682,476	13,329,910	1,897,777	872,362	(4,934,941)	-	11,165,108
Issue of shares	8,221,669	1,637,029	45,900	-	-	-	1,682,929
Effect of share-based payments	-	-	-	164,105	-	-	164,105
Net loss for the period					(2,128,946)		(2,128,946)
Change on fair value of other short-term financial assets					-	(270,000)	(270,000)
Total comprehensive loss					(2,128,946)	(270,000)	(2,398,946)
BALANCE AS AT DECEMBER 31, 2012	57,904,145	14,966,939	1,943,677	1,036,467	(7,063,887)	(270,000)	10,613,196

The accompanying notes are an integral part of these financial statements.

Cartier Resources Inc.

(an exploration company)

Statements of loss

Years ended December 31,

(In Canadian $)

	2013	2012
	$	$
Administrative expenses		
Salaries	**253,426**	288,880
Consultants	**108,275**	144,174
Share-based payments-employees	**72,739**	134,823
Professional fees	**73,697**	121,247
Rent	**25,253**	26,307
Business development	**116,956**	172,332
Insurance, taxes and permits	**17,930**	19,366
Interest and bank charges	**2,555**	3,334
Depreciation of property, plant and equipment	**7,166**	7,484
Stationery and office expenses	**19,972**	32,668
Telecommunications	**5,918**	7,854
Training and travel	**30,014**	40,846
Advertising and sponsoring	**22,115**	36,017
Shareholder's information	**37,764**	63,553
Part XII.6 tax related to flow-through shares	**693**	4,081
	794,473	1,102,966
Other expenses (income)		
Write-off of exploration assets and deferred exploration costs	**1,016,677**	958,069
Other exploration costs	**14,799**	75,372
Interest income	**(29,031)**	(26,812)
LOSS BEFORE DEFERRED INCOME AND MINING TAXES	**(1,796,918)**	(2,109,595)
Deferred income and mining taxes (note 13)	**(258,982)**	19,351
Net loss for the year attributable to shareholders	**(1,537,936)**	(2,128,946)
LOSS PER SHARE		
basic	**(0.03)**	(0.04)
diluted	**(0.03)**	(0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
basic	**58,454,542**	50,850,972
diluted	**58,454,542**	50,888,482

The accompanying notes are an integral part of these financial statements.

Cartier Resources Inc.

(an exploration company)

Statements of Comprehensive Loss

Years ended December 31,

(In Canadian $)

	2013	2012
	$	$
Net loss for the year	(1,537,936)	(2,128,946)
Items that may be reclassified subsequently to profit or loss :		
Change in fair value of other short-term financial assets	(30,000)	(270,000)
Comprehensive loss for the year attributable to shareholders	(1,567,936)	(2,398,946)

The accompanying notes are an integral part of these financial statements.

Cartier Resources Inc.

(an exploration company)

Statements of Cash Flows

Years ended December 31,

(In Canadian $)

	2013	2012
	$	$
OPERATING ACTIVITIES		
Loss before deferred income and mining taxes	**(1,796,918)**	(2,109,595)
Adjustments for:		
Depreciation of property, plant and equipment	**7,166**	7,484
Share-based payments-employees	**72,739**	134,823
Write-off of exploration assets and deferred exploration costs	**1,016,677**	958,069
Interest income	**(29,031)**	(26,812)
Interest received	**28,057**	25,178
	(701,310)	(1,010,853)
Net change in non-cash working capital items		
Receivables	**31,097**	71,719
Prepaid expenses	**8,428**	(9,292)
Accounts payables and accrued liabilities	**109,397**	(40,954)
Cash flow used in operating activities	**(552,388)**	(989,380)
FINANCING ACTIVITIES		
Issuance of shares	**819,784**	2,000,400
Share issue expenses	**(31,795)**	(127,249)
Cash flow from financing activities	**787,989**	1,873,151
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**-**	(35,333)
Acquisition of exploration and evaluation assets	**(1,635,923)**	(2,599,195)
Cash flow used in investing activities	**(1,635,923)**	(2,634,528)
Net change in cash and cash equivalents	**(1,400,322)**	(1,750,757)
Cash and cash equivalents at the beginning	**3,543,426**	5,294,183
Cash and cash equivalents at the end (note 3)	**2,143,104**	3,543,426
Cash and cash equivalents	**1,573,320**	2,670,297
Cash reserved for exploration	**569,784**	873,129
	2,143,104	3,543,426

Additional information (note 11)

The accompanying notes are an integral part of these financial statements.

Incorporation and Nature of Operations

Cartier Resources Inc. (the "Company"), initially incorporated under Part 1 A of the Québec Companies Act on July 17, 2006, has been governed by the Business Corporations Act (Quebec) since February 14, 2011. The Company's head office is located at 1740, chemin Sullivan, Suite 1000, Val-d'Or, Québec. Its activities primaily include the acquisition and exploration of mining properties. The Company has not yet determined whether its properties contain economically recoverable ore reserves. The recoverability of the amounts shown for mining properties is dependent upon the existence of economic ore reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

1. Basis of preparation and going concern

These financial statements were prepared on a going concern basis, using historical costs method, except for «Other short-term financial assets» which are measured at fair value.

The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The Company has not yet determined whether its properties contain economically recoverable ore reserves. The application of International Financial Reporting Standards « IFRS » on a going concern basis may be inappropriate, since there is a doubt as to the appropriateness of the going concern assumption.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the appropriateness of the going concern assumption.

These financial statements have been prepared in accordance with IFRS. The Company requires the use of certain critical judgments and accounting estimates. It also requires management to exercise judgment when applying the Company’s accounting policies.

On April 17, 2014, the Company's Board of Directors approved these annual financial statements for the years ended December 31, 2013 and December 31, 2012.

2. Summary of accounting policies

2.1. Overall considerations

The financial statements have been prepared using accounting policies specified by IFRS that are in effect as at December 31, 2013.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

2.2. Basis of evaluation

These financial statements were prepared on a going concern basis, using the historical costs method, except for "Other short-term financial assets" which are measured at fair value.

2. Summary of accounting policies (continued)

2.3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRIC 21 - *Levies* ("IFRIC 21") - In May 2013, the IASB issued *International Financial Reporting Interpretations Committee* (IFRIC) 21, *Levies,* IFRIC 21, is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Company will adopt IFRIC 21 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of the adoption of IFRIC 21 has not yet been determined.

IFRS 9 – Financial Instruments: The amendments to IFRS 9 are the first of a multi-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety. It simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39. The new standard also provides for a fair value option in the designation of a non-derivative financial instrument and its related classification and measurement. The IASB tentatively decided that IFRS 9 would apply for annual periods beginning on or after January 1st, 2018. Early adoption is permitted. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

In May 2013, the IASB amended IAS 36 "*Impairment of Assets"*, providing guidance on recoverable amount disclosures for non-financial assets. The amendments to IAS 36 must be applied retrospectively by the Company for the annual period beginning January 1st, 2014. The Company is currently assessing the impact on the presentation of its financial statements.

2.4. Post employment benefits and short-term employee benefits

The Company provides post employment benefits through a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays contributions, established according to a percentage of the employee's salary, to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution during the employment period.

Short-term employee benefits, including vacation entitlement, are current liabilities included in "accounts payables and accrued liabilities", and are measured at the undiscounted amount that the Company expects to pay.

2.5. Share-based payments

The Company has a stock option purchase plan under which options to acquire the Company's common shares may be granted to its directors, officers, employees and consultants. The plan does not provide any options for a cash settlement.

2. Summary of accounting policies (continued)

2.5. Share-based payments (continued)

Where employees are rewarded using share-based payments, the fair values of employee services are determined by reference to the fair value of the equity instruments granted. The fair value of each option is determined using the Black-Scholes pricing model at the date of grant. All share-based payments are ultimately recognized as an expense and also in deferred exploration costs with a corresponding increase to «contributed surplus».

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense in prior periods if share options ultimately exercised are different from that estimated on vesting.

Upon exercise of share options, the proceeds received are credited to share capital. The fair value of each option is reversed from contributed surplus to share capital.

2.6. Presentation of financial statements in accordance with IAS 1

The financial statements are presented in accordance with IAS 1, Presentation of Financial Statements.

2.7. Mining assets

The Company records its mining assets, including wholly-owned mining properties, undivided interests in mining properties and deferred exploration costs, at cost less certain recoveries.

Exploration costs are capitalized on the basis of each specific mining property or areas of geological interest until the mining assets to which they relate are placed into production, sold or allowed to lapse.

These costs will be amortized over the estimated useful life of the mining assets following commencement of production or written off if the mining assets or projects are sold or allowed to lapse.

General exploration costs not related to specific mining assets are expensed in the statement of loss as incurred.

The recoverability of the amounts recorded under mining properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing needed to complete development, and future profitable production or proceeds from the disposal of these properties. The amounts shown for mining properties and deferred exploration costs are not necessarily indicative of present or future values.

2.8. Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss under the Mining Duties Act. This credit on duties refundable for loss on exploration costs incurred in the Province of Quebec has been applied against the deferred income taxes in the statement of financial position. In accordance with IAS 12, the credits on duties are applied against the deferred income taxes in the statement of financial position when the Company expects to continue holding the mining property once ready for production.

Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. The refundable tax credit for resources may reach 35% or 38.75% of qualified expenditures incurred. In accordance with IAS 20, this tax credit is accounted against the qualified expenditures.

2. Summary of accounting policies (continued)

2.8. Credit on duties refundable for loss and refundable tax credit for resources (continued)

In accordance with IAS 12, the credit on duties has been applied against the deferred income taxes in the statement of financial position since the Company expects to continue holding the mining property once it is ready for production.

2.9. Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, and the expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are capitalized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less tax credits and any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts and the difference is then immediately recognized in profit or loss.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property, plant and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

At present, no technical feasibility or commercial viability of extracting a mineral resource has been confirmed.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company’s titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with an option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash considerations received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

2.10. Income and mining taxes

The income tax expense is composed of current and deferred taxes. Taxes are recognized in the statement of loss unless they relate to items carried in other comprehensive income or directly in shareholders' equity.

Current income taxes and mining taxes

Current income tax and mining tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods that are unpaid at the reporting date. The current income tax expense is based on the income for the period adjusted for non-taxable or non-deductible items. The mining tax expense is based on the income for the period for each mining site under production adjusted for non-taxable or non-deductible items. Calculation of current tax and mining tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management regularly examines positions in tax returns where tax regulations are subject to interpretation.

Deferred income taxes and deferred mining taxes

Deferred income taxes are recognized using the liability method on temporary differences between the tax basis of the assets and liabilities and their carrying amount in the statement of financial position. Deferred income tax assets and liabilities are calculated, on an undiscounted basis, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income tax liabilities and mining taxes

Deferred income tax liabilities and mining taxes are generally recognized for all temporary taxable differences.

Deferred income tax assets and mining taxes

Deferred income tax assets and mining taxes are recognized to the extent that it is probable they will be able to be utilized against future taxable income.

Deferred income tax assets and mining taxes are examined at the end of the reporting period and reduced when it is no longer probable that taxable income will be sufficient to recover some or all of the deferred tax assets in which case, the assets are reduced. As at December 31, 2013, the Company has not recorded any income tax or deferred income tax assets.

Deferred income tax assets and liabilities are not recognized for temporary differences resulting from the initial recognition of assets and liabilities acquired other than in a business combination.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of the tax expense or recovery in the statement of loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(In Canadian $)

2.11. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary equity holders by the weighted average number of common shares outstanding during the period. The Company uses the treasury method to calculate the diluted net loss per share. The diluted net loss per share is calculated by adjusting earnings attributable to common shareholders, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation considers that stock options and warrants have been converted into potential common shares at the average cost of the market for the presentation period.

2.12. Cash reserved for exploration

	December 31, 2013	December 31, 2012
	$	
	569,784	873,129

The Company raises flow-through funds for exploration under subscription agreements which require the Company to incur prescribed resource expenditures. The Company must use these funds for exploration of mining properties in accordance with restrictions imposed by the financing. If the Company does not incur the resource expenditures, then it will be required to indemnify these shareholders for any tax and other costs payable by them.

2.13. Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with maturity dates of less than three months from the date of acquisition.

2.14. Property, plant and equipment

Property, plant and equipment are recorded at cost, net of related government assistance, accumulated depreciation and accumulated impairment. The cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are recorded at cost and are depreciated over their estimated useful life on a straight-line basis as follows :

- Leasehold improvements: 5 years
- Furniture and equipment: 5 years

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or futur disposal.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of loss.

2. Summary of accounting policies (continued)

2.15. Impairment

Non-financial assets

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have expired or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.16. Leases

Leases are classified as operating leases since the benefits and the risks related to the ownership are not transfered to the Company. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Related costs, such as maintenance and insurance, are expensed as incurred.

2. Summary of accounting policies (continued)

2.17. Equity

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the Black-scholes model. Proceeds are first allocated to warrants evaluated at the time of issuance using the Black-Scholes model and any residual in the proceeds is allocated to shares.

Flow-through placements

The Company raises funds through the issuance of “flow-through” shares which entitles investors to prescribed resource tax benefits and credits once the Company has renounced these benefits to the investors in accordance with the tax legislation. Currently there is no specific IFRS guidance related to the accounting and reporting of these arrangements. The Company has adopted the CPA Canada Viewpoint which considers the issuance of flow-through shares in substance; (a) an issue of an ordinary share; and (b) the sale of tax deductions. The sale of tax deductions has been measured based on the relative fair value method. At the time the flow-through shares are issued the sale of tax deductions is deferred and presented as a liability in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. When the Company fulfills its obligation, the liability is reduced, the sale of tax deductions is recognized in the statement of loss as a reduction of the deferred tax expense and a deferred tax liability is recognized in accordance with IAS 12, *Income Taxes*, for the taxable temporary differences between the carrying value of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

Warrants

Warrants are classified as equity as they are derivatives over the Company’s own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company’s own equity instruments.

When shares and warrants are issued at the same time, the proceeds are allocated first to the warrants issued, according to their fair value using the Black-Scholes pricing model and the residual value is allocated to the shares.

Other elements of equity

Contributed surplus includes charges related to share options until such option are exercised.

The deficit includes all current and prior years retained profits or losses.

2.18. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from a financial asset expire, or when a financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus or minus transaction costs.

2. Summary of accounting policies (continued)

2.18. Financial instruments (continued)

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Other short-term financial assets;

The category determines subsequent measurement and whether any resulting income and expense is recognized in the income statement or in other comprehensive income.

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is an objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in the income statement are presented within "Administrative expenses" or "Other expenses (income)".

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents and Cash reserved for exploration are classified in this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognized in the statement of loss.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of net loss. The Company has no financial assets in this category.

2. Summary of accounting policies (continued)

2.18. Financial instruments (continued)

Available-for-sale financial assets

Other short-term financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include shares of publicly-traded companies presented in "Other short-term financial assets". The variation of the fair value is recognized in the statement of comprehensive loss.

All Other short-term financial assets are measured at fair value.

Financial liabilities

The Company’s other financial liabilities include accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

If applicable, all interest-related charges and changes in an instrument's fair value that are recognized in the income statement are presented in “Administrative expenses” or “Other expenses (income)”.

2.19. Accounting estimates and critical judgments

The preparation of financial statements requires management to make estimates, assumptions and judgments with respect to future events. These estimates and judgments are constantly challenged. They are based on past experience and other factors, in particular, forecasts of future events that are reasonable in the circumstances. The actual results are likely to differ from the estimates, assumptions and judgments made by management, and will seldom equal the estimated results.

The following paragraphs describe the most critical management estimates and assumptions in the recognition and measurement of assets, liabilities and expenses and the most critical management judgments in applying accounting policies.

Impairment of assets

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assessment of its Mining assets. Each year, the Company conducts an annual review of the geological potential of all its claims with the objective of abandoning any claims with a low discovery potential. All amount incurred on those claims are recorded to the Statements of loss of the year. (Note 2.15)

Share-based payments

The estimate of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the expected life of options and expected extinguishments. The model used by the Company is the Black-Scholes model.

Income taxes and deferred mining taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

(In Canadian $)

2. Summary of accounting policies (continued)

2.20. Changes to accounting policies

IAS 1 Presentation of financial statements

The Company has adopted the amendments to IAS 1 "*Presentation of financial statements*" in the year ended December 31, 2013. The amendments require the Company to group into two categories the items of other comprehensive income, segregating those that will be reclassified subsequently to net income from those that will not. The Company has presented its statements of comprehensive income according to this new requirement.

IFRS 11 Joint Arrangements (IFRS 11)

IFRS 11 supersedes IAS 31 Interests in Join Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. IFRS 11 did not have a material impact on the financial statements.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. IFRS 12 did not have a material impact on the financial statements.

IFRS 13 Fair Value Measurement (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 did not have a material impact on the financial statements.

3. Cash and cash equivalents and cash reserved for exploration

As at December 31, 2013 and 2012, the cash and the cash equivalents and the cash reserved for exploration include banker's acceptances, bonds, an account bearing a high interest rate and an account without interest are as follows:

	December 31, 2013			December 31, 2012		
	$	**Interest rate**	**Maturity date**	$	Interest rate	Maturity date
1) Banker's acceptance	**101,952**	**0.810%**	**2014-01-22**	153,840	0.902%	2013-02-11
2) Banker's acceptance	**401,321**	**0.813%**	**2014-03-18**	400,546	0.828%	2013-02-19
3) Banker's acceptance	**-**	**-**	**-**	518,226	1.450%	2013-03-11
4) Banker's acceptance	**-**	**-**	**-**	356,413	0.781%	2013-03-19
5) Account bearing interests	**726,731**	**1.200%**	**-**	1,036,730	1.200%	-
6) Account without interest	**913,100**	**-**	**-**	1,077,671	-	-
Total	**2,143,104**			3,543,426		

(In Canadian $)

3. Cash and cash equivalents and cash reserved for exploration (continued)

	December 31, 2013	December 31, 2012
	$	$
Cash	**1,639,831**	2,114,401
Banker's acceptances	**503,273**	1,429,025
	2,143,104	3,543,426
Less: Cash reserved for exploration	**(569,784)**	(873,129)
Cash and cash equivalents	**1,573,320**	2,670,297

4. Other short-term financial assets

	December 31, 2013	December 31, 2012
	$	$
Marketable securities of a quoted mining exploration company, available-for-sale, at fair value	**100,000**	130,000

5. Receivables

	December 31, 2013	December 31, 2012
	$	$
Credit on duties refundable and refundable tax credit for resources	**116,787**	260,707
Commodity taxes and others	**14,740**	44,863
	131,527	305,570

6. Property, plant and equipment

	Leasehold improvements (1)	Furniture and equipement (2)	Total
Gross carrying amount			
Balance as at December 31, 2012	112,014	22,430	134,444
Balance as at December 31, 2013	112,014	22,430	134,444
Accumulated depreciation			
Balance as at December 31, 2012	27,477	6,712	34,189
Depreciation	22,402	4,487	26,889
Balance as at December 31, 2013	49,879	11,199	61,078
Carrying amount as at December 31, 2013	**62,135**	**11,231**	**73,366**

(In Canadian $)

6. Property, plant and equipment (continued)

	Leasehold improvements (1)	Furniture and equipement (2)	Total
Gross carrying amount			
Balance as at December 31, 2011	76,681	35,603	112,284
Additions	35,333	-	35,333
Disposals	-	(13,173)	(13,173)
Balance as at December 31, 2012	112,014	22,430	134,444
Accumulated depreciation			
Balance as at December 31, 2011	7,805	13,218	21,023
Depreciation	19,672	6,667	26,339
Disposals	-	(13,173)	(13,173)
Balance as at December 31, 2012	27,477	6,712	34,189
Carrying amount as at December 31, 2012	**84,537**	**15,718**	**100,255**

(1) As at December 31, 2013, leasehold improvements with a carrying value of $48,942 ($65,885 as at December 31, 2012) is used for exploration.

(2) As at December 31, 2013, furniture and equipment with a carrying value of $6,923 ($9,703 as at December 31, 2012) is used for exploration.

7. Leases

The future minimum operating lease payments are as follows:

	Minimum lease payments due			
	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**
	$	$	$	$
December 31, 2013	**89,175**	416,052	97,714	602,941
December 31, 2012	**89,175**	427,056	175,884	692,115

The Company rents its offices under a lease expiring in March 2021. The lease covering a Company's vehicle expires in October 2017. The Company also leases equipment under an agreement expiring in March 2016.

Lease payments recognized as an expense during the reporting period amount to $89,175 ($89,175 as at December 31, 2012). This amount consists of minimum lease payments. The Company’s lease agreements contain renewal options.

8. Exploration assets and deferred exploration costs

The carrying amount can be analyzed as follows :

	Participation	Balance as at December 31, 2012	Addition	Tax credits	Write-off	**Balance as at December 31, 2013**
Quebec		$	$	$		**$**
Benoist	100%					
Mining rights		190,607	358,905	-	(1,789)	**547,723**
Exploration and evaluation		733,906	857,715	(37,714)	(571)	**1,553,336**
		924,513	1,216,620	(37,714)	(2,360)	**2,101,059**

(In Canadian $)

8. Exploration assets and deferred exploration costs (continued)

	Participation	Balance as at December 31, 2012	Addition	Tax credits	Write-off	**Balance as at December 31, 2013**
Quebec		$	$	$		**$**
Chimo mine	100%					
Mining rights		-	261,616	-	-	**261,616**
Exploration and evaluation		-	100,012	(30,731)	-	**69,281**
		-	361,628	(30,731)	-	**330,897**
Cadillac Extension	100%					
Mining rights		11,539	-	-	(103)	**11,436**
Exploration and evaluation		1,587,305	65,238	8,985	-	**1,661,528**
		1,598,844	65,238	8,985	(103)	**1,672,964**
MacCormack	100%					
Mining rights		252,367	-	-	-	**252,367**
Exploration and evaluation		1,730,095	17,851	53,340	-	**1,801,286**
		1,982,462	17,851	53,340	-	**2,053,653**
Preissac	100%					
Mining rights		258,522	-	-	-	**258,522**
Exploration and evaluation		278,725	38,114	14,530	-	**331,369**
		537,247	38,114	14,530	-	**589,891**
Dollier	100%					
Mining rights		29,835	-	-	(12,023)	**17,812**
Exploration and evaluation		977,470	25,356	13,955	(6,395)	**1,010,386**
		1,007,305	25,356	13,955	(18,418)	**1,028,198**
La Pause	100%					
Mining rights		7,379	54	-	(1,699)	**5,734**
Exploration and evaluation		203,462	14,946	(10)	(5,147)	**213,251**
		210,841	15,000	(10)	(6,846)	**218,985**
Diego	100%					
Mining rights		2,755	-	-	(1,092)	**1,663**
Exploration and evaluation		444,610	30,384	12,259	(2,171)	**485,082**
		447,365	30,384	12,259	(3,263)	**486,745**
Xstrata-Option	100%					
Mining rights		750	-	-	(285)	**465**
Exploration and evaluation		938,338	667	16,013	(9,388)	**945,630**
		939,088	667	16,013	(9,673)	**946,095**
Fenton	Option 50%					
Mining rights		16,000	8,000	-	-	**24,000**
Exploration and evaluation		524,367	11,884	(574)	-	**535,677**
		540,367	19,884	(574)	-	**559,677**

(In Canadian $)

8. Exploration assets and deferred exploration costs (continued)

Quebec	Participation	Balance as at December 31, 2012	Addition	Tax credits	Write-off	**Balance as at December 31, 2013**
		$	$	$		**$**
Rambull	100%					
Mining rights		130,630	-	-	(130,630)	**-**
Exploration and evaluation		407,180	968	(20)	(408,128)	**-**
		537,810	968	(20)	(538,758)	**-**
Newconex-West	100%					
Mining rights		169,995	-	-	(169,995)	**-**
Exploration and evaluation		266,935	346	(20)	(267,261)	**-**
		436,930	346	(20)	(437,256)	**-**
Summary						
Mining rights		1,070,379	628,575	-	(317,616)	**1,381,338**
Exploration and evaluation		8,092,393	1,163,481	50,013	(699,061)	**8,606,826**
		9,162,772	**1,792,056**	**50,013**	**(1,016,677)**	**9,988,164**

Quebec	Participation	Balance as at December 31, 2011	Addition	Tax credits	Write-off	**Balance as at December 31, 2012**
		$	$	$		**$**
Xstrata-Option	100%					
Mining rights		-	750	-	-	**750**
Exploration and evaluation		899,484	38,864	(10)	-	**938,338**
		899,484	39,614	(10)	-	**939,088**
Preissac	100%					
Mining rights		412,963	-	-	(154,441)	**258,522**
Exploration and evaluation		413,278	5,077	(11)	(139,619)	**278,725**
		826,241	5,077	(11)	(294,060)	**537,247**
MacCormack	100%					
Mining rights		252,367	-	-	-	**252,367**
Exploration and evaluation		1,716,723	13,802	(430)	-	**1,730,095**
		1,969,090	13,802	(430)	-	**1,982,462**
Rambull	100%					
Mining rights		214,607	-	-	(83,977)	**130,630**
Exploration and evaluation		407,890	3,430	(28)	(4,112)	**407,180**
		622,497	3,430	(28)	(88,089)	**537,810**

(In Canadian $)

8. Exploration assets and deferred exploration costs (continued)

	Participation	Balance as at December 31, 2011	Addition	Tax credits	Write-off	**Balance as at December 31, 2012**
Quebec		$	$	$		**$**
Newconex-Ouest	100%					
Mining rights		169,995	-	-	-	**169,995**
Exploration and evaluation		264,662	2,284	(11)	-	**266,935**
		434,657	2,284	(11)	-	**436,930**
Cadillac Extension	100%					
Mining rights		52,884	689	-	(42,034)	**11,539**
Exploration and evaluation		887,007	1,202,080	(14,941)	(486,841)	**1,587,305**
		939,891	1,202,769	(14,941)	(528,875)	**1,598,844**
Dollier	100%					
Mining rights		39,631	-	-	(9,796)	**29,835**
Exploration and evaluation		945,356	33,755	-	(1,641)	**977,470**
		984,987	33,755	-	(11,437)	**1,007,305**
La Pause	100%					
Mining rights		8,612	371	-	(1,604)	**7,379**
Exploration and evaluation		123,848	101,870	(437)	(21,819)	**203,462**
		132,460	102,241	(437)	(23,423)	**210,841**
Diego	100%					
Mining rights		4,574	-	-	(1,819)	**2,755**
Exploration and evaluation		418,964	30,563	-	(4,917)	**444,610**
		423,538	30,563	-	(6,736)	**447,365**
Benoist	Option 100%					
Mining rights		-	193,801	-	(3,194)	**190,607**
Exploration and evaluation		-	818,460	(82,299)	(2,255)	**733,906**
		-	1,012,261	(82,299)	(5,449)	**924,513**
Fenton	Option 50%					
Mining rights		-	16,000	-	-	**16,000**
Exploration and evaluation		-	558,894	(34,527)	-	**524,367**
		-	574,894	(34,527)	-	**540,367**
Summary						
Mining rights		1,155,633	211,611	-	(296,865)	**1,070,379**
Exploration and evaluation		6,077,212	2,809,079	(132,694)	(661,204)	**8,092,393**
		7,232,845	**3,020,690**	**(132,694)**	**(958,069)**	**9,162,772**

(In Canadian $)

8. Exploration assets and deferred exploration costs (continued)

All the mining properties held by the Company are located in the northwestern Quebec.

On July 23, 2013, the Company acquired a 100% interest in the Chimo and Nova properties in exchange for a cash payment of $261,000. These contiguous properties are located 50 km east of the Val-d'Or gold mining camp, along the Larder Lake–Cadillac Fault. The Chimo Mine property (formerly the Chimo and Nova properties) comprises two mining leases subject to a 3% NSR royalty plus 2% of the gross revenue, and 38 claims subject to a 1% NSR royalty.

9. Share capital

Authorized

Unlimited number of common shares, without par value, voting and participating

	December 31,2013		December 31,2012	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of the year	**57,904,145**	**14,966,939**	49,682,476	13,329,910
Shares issued and paid				
Acquistion of property (a) (b)	**700,000**	**92,500**	300,000	103,500
Private placements (c) (g) (j)	**2,500,000**	**172,000**	3,576,923	704,100
Flow-through private placements (c)(e) (h) (k)	**3,561,150**	**569,784**	4,344,746	1,250,400
Renouncement of tax deductions (d) (f) (i) (l)	**-**	**(142,446)**	-	(318,158)
	6,761,150	**691,838**	8,221,669	1,739,842
Share issue expenses	**-**	**(18,660)**	-	(102,813)
Balance, at end of the year	**64,665,295**	**15,640,117**	57,904,145	14,966,939

(a) On March 2, 2012, the Company issued 250,000 common shares and paid $100,000 in cash pursuant to the option agreement enabling it to acquire a 51% undivided interest in the Benoist project. The Company must also issue 100,000 common shares before the first anniversary of the closing date and another 150,000 common shares before the second anniversary of the closing date and incur exploration expenditures aggregating $3,000,000 by March 1, 2015. Both parties amended the agreement and the Company paid $18,000 to Murgor Resources Inc. ("Murgor") instead of issuing 100,000 common shares before the first anniversary. In addition, before the third anniversary, the Company will have a second option to acquire an additional 49% undivided interest in the property by issuing 500,000 common shares to Murgor before the fourth anniversary of the closing date and incurring additional exploration expenditures aggregating $3,000,000 by March 1, 2018. During the option period, the Company will act as operator. Murgor will retain a 1% NSR. The project is also subject to a 2.5% NSR payable to previous vendors of which a 1.5% NSR can be bought back by the Company for a consideration of $1,500,000.

On July 29, 2013, the Company reached an agreement with Murgor and acquired a 100% interest in the Benoist property, consisting of 98 mining claims, for a cash payment of $250,000 and the issuance of 650,000 common shares.

(b) On March 19, 2012, the Company issued 50,000 common shares persuing the option agreement enabling it to acquire a 50% undivided interest in the Fenton project. The Company must also incur exploration expenditures aggregating $1,500,000 by March 19, 2015. In addition, the Company had a firm commitment to invest $500,000 in exploration work over the first year following the signature of the agreement, which was completed over the period, and the Company issued on the first anniversary of the agreement 50,000 common shares to SOQUEM INC. The Company must also issue 50,000 common shares to SOQUEM at the second anniversary following the signature of the agreement. SOQUEM INC. will be the operator. After the Company earns its undivided interest of 50%, SOQUEM INC. and the Company will form a joint venture.

9. Share capital (continued)

(c) Issuance of common and flow-through shares on August 30, 2012

On August 30, 2012, the Company completed a private placement of $500,000 before share issue expenses. The offering consisted of issuance of 1,129,032 flow-through shares at a cost of $0.31 and 576,923 common shares at a cost of $0.26. Share issue expenses totalling $ 50,226 have reduced share capital.

(d) The Company also renounced to the tax deduction related to the flow-through shares representing an amount of $73,387 which has reduced the share capital and increased the liabilities related to flow-through shares.

(e) Issuance of flow-through shares on November 16, 2012

On November 16, 2012, the Company completed a flow-through shares private placement conducted without intermediate agent or broker for aggregate gross proceeds of $500,000. The offering consisted of the issuance of 1,785,714 flow-through shares at a cost of $0.28 for an amount of $500,000. Share issue expenses totalling $8,528 have reduced share capital.

(f) The Company also renouced to the tax deduction related to the flow-through shares representing an amout of $116,071 which has reduced the share capital and increased the liabilities related to flow-through shares.

(g) Issuance of common shares on December 19, 2012

On December 19, 2012, the Company completed a private placement conducted without intermediate agent or broker for aggregate gross proceeds of $600,000. The offering consisted of the issuance of 3,000,000 common shares at a cost of $0.20 per share and 3,000,000 a half share purchase warrants with each warrant entitling the holder to subscribe to one common share at a price of $0.30 for a period of 18 months following the date of closing. The financing is presented net of the value of the related warrants which was established at $45,900. Share issue expenses totalling $35,635 have reduced share capital.

(h) Issuance of flow-through shares on December 20, 2012

On December 20, 2012, the Company completed a flow-through shares private placement conducted without intermediate agent or broker for aggregate gross proceeds of $400,400. The offering consisted of the issuance of 1,430,000 flow-through shares at a cost of $0.28 totalling an amount of $400,400. Share issue expenses totalling $ 8,424 have reduced share capital.

(i) The Company also renounced to the tax deduction related to the flow-through shares representing an amount of $128,700 which has reduced the share capital and increased the liabilities related to flow-through shares.

(j) Issuance of common shares on December 18, 2013

On December 18, 2013, the Company completed a private placement conducted without intermediate agent or broker for aggregate gross proceeds of $250,000. The offering consisted of the issuance of 2,500,000 common shares at a cost of $0.10 per share and 2,500,000 share purchase warrants with each warrant entitling the holder to subscribe to one common share at a price of $0.16 for a period of 24 months following the date of closing. The financing is presented net of the value of the related warrants which was established at $78,000. Share issue expenses totalling $12,530 have reduced share capital.

(k) Issuance of flow-through shares on December 18, 2013

On December 18, 2013, the Company completed a flow-through shares private placement conducted without intermediate agent or broker for aggregate gross proceeds of $569,784. The offering consisted of the issuance of 3,561,150 flow-through shares at a cost of $0.16 totalling an amount of $569,784. Share issue expenses totalling $ 6,130 have reduced share capital.

(In Canadian $)

9. Share capital (continued)

(l) The Company also renounced to the tax deduction related to the flow-through shares representing an amount of $142,446 which has reduced the share capital and increased the liabilities related to flow-through shares.

Stock Option Plan

The Company has a stock option plan that has been approved by the shareholders. The maximum number of common shares which may be reserved under the plan is limited to 10% of the number of common shares issued and outstanding (on a non-diluted basis). The options granted to any optionnee cannot exceed 5% of the issued and outstanding common shares. The options are vested over a period of 12 months and are exercisable over a maximum of five years.

The following table summarizes the information about the outstanding stock options:

	December 31, 2013		December 31, 2012	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Outstanding - Beginning	**3,035,000**	**0.33**	2,655,000	0.43
Granted-employees	**950,000**	**0.25**	1,130,000	0.24
Expired	**(560,000)**	**0.43**	(750,000)	0.56
Outstanding - End	**3,425,000**	**0.30**	3,035,000	0.33
Exercisable - End	**2,950,000**	**0.31**	2,417,500	0.35

The following table summarizes certain information for stock options outstanding and exercisable :

	Outstanding options December 31, 2013			**Exercisable options December 31, 2013**		
Exercise price	**Number of options**	**Weighted average remaining life**	**Weighted average exercise price**	**Number of options**	**Weighted average remaining life**	**Weighted average exercise price**
		(years)	**$**		**(years)**	**$**
$0.16 to $0.24	**105,000**	**3.97**	**0.19**	**105,000**	**3.97**	**0.19**
$0.25 to $0.34	**2,225,000**	**3.48**	**0.25**	**1,750,000**	**3.23**	**0.25**
$0.35 to $0.44	**570,000**	**1.51**	**0.38**	**570,000**	**1.51**	**0.38**
$0.45 to $0.54	**525,000**	**2.38**	**0.45**	**525,000**	**2.38**	**0.45**
$0.16 to $0.54	**3,425,000**	**3.00**	**0.30**	**2,950,000**	**2.78**	**0.31**

The weighted average fair value of stock options granted was estimated using the Black-Scholes model at $0.08 per option ($0.16 in 2012) with the following assumptions:

	2013	2012
Risk-free interest rate	**1.13%**	1.59%
Expected volatility	**83%**	84%
Dividend yield	**Nil**	Nil
Weighted average expected life	**5 years**	5 years

(In Canadian $)

9. Share capital (continued)

Warrants

The following table presents the changes that occurred during the year :

	December 31, 2013			December 31, 2012		
	Number	**Weighted average exercise price**	**Weighted average remaining contractual life**	Number	Weighted average exercise price	Weighted average remaining contractual life
		$	**(years)**		$	(years)
Outstanding - Beginning	**2,999,429**	**0.38**	**0.97**	12,391,830	0.44	0.93
Granted - private placements	**2,500,000**	**0.16**	**1.96**	1,500,000	0.30	1.46
Expired	**(1,499,429)**	**0.46**	**-**	(10,892,401)	0.47	-
Outstanding - End	**4,000,000**	**0.21**	**1.40**	2,999,429	0.38	0.97

The outstanding warrants are as follows:

Maturity date	**Exercise price**	**Number**
	$	
June 2014	0.30	**1,500,000**
December 2015	0.16	**2,500,000**
		4,000,000

The weighted average fair value of warrants granted was estimated on the grant date using the Black-Scholes option-pricing model at $0.03 per warrant ($0.03 in 2012) with the following assumptions:

	2013	2012
Risk-free interest rate	**1.07%**	1.10%
Expected volatility	**100%**	69%
Dividend yield	**nil**	nil
Weighted average expected life	**2 years**	1.5 year

10. Employee remuneration

Employee benefits expense recognized are detailed below:	**December 31, 2013**	December 31, 2012
	$	$
Wages, salaries	**711,464**	904,619
Social security costs	**57,672**	53,750
Share-based payments-employees	**90,299**	164,105
Defined contribution pension plan	**14,116**	20,466
	873,551	1,142,940
Less: salaries capitalized in exploration and evaluation assets	**(547,375)**	(609,962)
Employee benefits expense	**326,176**	532,978

(In Canadian $)

11. Cash flows

Additional information	**December 31, 2013**	December 31, 2012
	$	$
Items not affecting cash and cash equivalents related to operating, financing and investing activities		
Tax credits applied against deferred exploration costs	**83,665**	132,694
Tax credits applied against other exploration costs (Statements of loss)	**2,281**	3,801
Mining rights applied against deferred exploration costs	**22,618**	
Shares issued for the acquisition of mining properties	**92,500**	103,500
Share issue expenses included in accounts payable and accrued liabilities	**13,135**	18,537
Depreciation of property, plant and equipment transferred to deferred exploration costs	**19,729**	18,855
Deferred exploration costs included in accounts payable and accrued liabilities	**56,335**	91,557
Share-based payments-employees charged to deferred exploration costs	**17,560**	20,778

12. Financial Instruments

Objectives and policies in managing financial risks

The Company is exposed to various financial risks resulting from its operations and financing activities. The directors and officers of the Company manage those risks.

The Company does not enter into speculative derivative financial instruments.

Financial risks

The following paragraphs describe the main financial risks to which the Company is exposed and its risk management policies.

Interest risk

The bonds bear interest at a fixed rate and consequently expose the Company to the risk of fair value fluctuation related to changes in interest rates.

The other financial assets and liabilities of the Company do not represent interest risk because they do not bear interest.

The Company does not use financial derivatives to reduce its exposure to interest risk.

As at December 31, 2013, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents :	Variable and fixed interest rate
Cash reserved for exploration :	Variable and fixed interest rate
Receivables :	Non-interest bearing
Accounts payables and accrued liabilities :	Non-interest bearing

(In Canadian $)

12. Financial Instruments (continued)

Interest rate sensitivity

At December 31, 2013, the Company only received interest on bankers' acceptances.

Interest rate movements may affect the fair value of the investments in fixed interest financial assets.

The possible effects on fair value that could arise as a result of changes in interest rates are taken into account when making investment decisions.

Liquidity risks

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash forecasts to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible for the Company to continue its operations, and while it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Liquidity risk analysis

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the year, the Company has financed its exploration expense commitments, its working capital requirements and acquisitions through private and flow-through financings.

The following table summarizes the Company's financial liabilities as at December 31, 2013 and 2012 :

	December 31, 2013		
	Less than one year	Between one and three years	More than three years
	$	$	$
Accounts payables and accrued liabilities	**251,457**	-	-
Liability related to flow-through shares	**142,446**	-	-
	393,903	-	-

	December 31, 2012		
	Less than one year	Between one and three years	More than three years
	$	$	$
Accounts payables and accrued liabilities	211,530	-	-
Liability related to flow-through shares	238,440	-	-
	449,970	-	-

Where the counterparty has a choice of when an amount is paid, the liability has been included on the earliest date on which payment can be required.

(In Canadian $)

12. Financial Instruments (continued)

Credit risk analysis

The Company's exposure to credit risk is limited to the carrying value of its financial assets at the date of presentation of the financial information as disclose below :

	December 31, 2013	December 31, 2012
	$	$
Cash and cash equivalents	**1,070,047**	1,241,272
Cash reserved for exploration	**569,784**	873,129
Banker's acceptances	**503,273**	1,429,025
Receivables (other than goods and services tax receivable)	**116,787**	260,707
Carrying amounts	**2,259,891**	3,804,133

The Company has no trade receivables. Its receivables comprised mainly of tax credits, mining taxes and sale taxes receivable consequently, the exposure to credit risk for the Company's receivables is considered immaterial. No impairment loss has been recognized in the periods presented.

The Company's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and cash equivalents and cash reserved for exploration is considered negligible, since the counterparties are reputable financial institutions with high quality external credit ratings.

Fair value of financial instruments

The Company discloses the fair value hierarchy by which the financial instruments are evaluated and assigned to the following levels. Level 1 features a valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 includes inputs for the asset or liability that are not based on observable market data. Marketable securities are classified under Level 1 (note 14).

The fair value of cash and cash equivalents, cash reserved for exploration and receivables approximates their carrying value as these items will be realized in the short term.

(In Canadian $)

13. Deferred income and mining taxes

The reconciliation of the income tax expense, calculated using the statutory income tax rates of the federal government and the Province of Quebec, to the income tax expense as per the financial statements, is as follows:

	December 31, 2013	December 31, 2012
	$	$
Loss before income and mining taxes	**(1,796,918)**	(2,109,595)
Combined federal and provincial income tax at 26.9% (26.9% as at December 31, 2012)	**(483,371)**	(567,481)
Deferred exploration flow-through shares	**326,998**	929,512
Mining taxes	**(67,224)**	(85,055)
Non-deductible expenses for income tax purposes	**27,834**	51,836
Share issue expenses not affecting earnings	**(5,020)**	(27,657)
Change in valuation allowance	**187,100**	279,028
Change in future tax rates	**-**	0
Other	**(6,859)**	3,566
	(20,542)	583,749
Flow-through premium	**(238,440)**	(564,398)
Deferred income and mining taxes	**(258,982)**	19,351

As at December 31, 2013, the Company has accumulated, for federal and provincial income tax purposes, non-capital losses which can be applied against future years' taxable income and which will expire as follows:

	December 31, 2013		December 31, 2012	
Year	Federal	Provincial	Federal	Provincial
	$	**$**	**$**	**$**
2025	8,387	7,530	8,387	7,530
2026	5,699	4,765	5,699	4,765
2027	524,066	521,001	524,066	521,001
2028	725,416	718,518	725,416	718,518
2029	724,776	720,746	724,776	720,746
2030	955,459	952,206	955,459	952,206
2031	792,271	777,709	792,271	777,709
2032	1,114,872	1,100,591	1,114,872	1,100,591
2033	863,531	842,225	-	-
	5,714,477	**5,645,291**	4,850,946	4,803,066

(In Canadian $)

13. Deferred income and mining taxes (continued)

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2013	December 31, 2012
	$	$
Property, plant and equipment	**42,191**	36,307
Non-capital losses	**1,528,962**	1,296,851
Share issue expenses	**78,928**	123,939
Valuation allowance	**(1,624,424)**	(1,420,790)
Deferred tax assets	**25,657**	36,307
Mining rights	**(2,192,616)**	(2,235,030)
Deferred tax liabilities	**(2,166,959)**	(2,198,723)

Change in deferred tax amounts

	Asset (liabilities) Balance December 31, 2012	Recognized in profit or (loss)	Recognized in equity	**Asset (liabilities) Balance December 31, 2013**
	$	$	$	**$**
Property, plant and equipment	36,307	5,884	-	**42,191**
Mining Property	(220,401)	92,275	-	**(128,126)**
Deferred exploration costs	(2,014,629)	(55,173)	(11,222)	**(2,081,024)**
Total	(2,198,723)	42,986	(11,222)	**(2,166,959)**

Change in deferred tax amounts

	Asset (liabilities) Balance December 31, 2011	Recognized in profit or (loss)	Recognized in equity	**Asset (liabilities) Balance December 31, 2012**
	$	$	$	**$**
Property, plant and equipment	29,840	6,467	-	**36,307**
Mining Property	(310,865)	90,464	-	**(220,401)**
Deferred exploration costs	(1,327,450)	(680,680)	(6,499)	**(2,014,629)**
Total	(1,608,475)	(583,749)	(6,499)	**(2,198,723)**

(In Canadian $)

14. Financial assets and liabilities

	December 31, 2013		December 31, 2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Categories of financial assets and liabilities				
Financial assets				
Loans and receivables				
Cash and cash equivalents	**1,070,047**	**1,070,047**	1,241,272	**1,241,272**
Cash reserved for exploration	**569,784**	**569,784**	873,129	**873,129**
Banker's acceptance	**503,273**	**503,273**	1,429,025	**1,429,025**
Available for sale financial asset				
Other short-term financial assets	**100,000**	**100,000**	130,000	**130,000**
Financial liabilities				
Other financial liabilities				
Trade	**17,663**	**17,663**	86,975	**86,975**
Other	**233,794**	**233,794**	124,555	**124,555**

15. Contingencies and commitments

The Company is partially financed through the issuance of flow-through shares. However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

– Two years following the flow-through placements;
– One year after the Company has renounced the tax deductions relating to the exploration work.

Commitments to carry out exploration work that are not met are subject to a combined tax rate of 30% (Canada and Quebec).

During the year ended December 31, 2013, the Company received $569,784 from flow-through financing for which the Company had renounced tax deductions after December 31, 2013.

As at February 28, 2014, the Company renounced to tax deductions of $569,784 and management is required to fulfil its commitments before the stipulated deadline of December 31, 2014. The amount has been presented as “Cash reserved for exploration”.

(In Canadian $)

16. Transactions with key management personnel

The Company's key management personnel are members of the Board of Directors, the president, the vice-president and chief financial officer. The remuneration of key management personnel includes the following expenses:

	December 31, 2013	December 31, 2012
	$	$
Short-term employee benefits		
Salaries including bonuses and benefits	**354,573**	439,460
Social security costs	**28,454**	22,514
Total short-term employee benefits	**383,027**	461,974
Share-based payments-employees	**42,757**	146,269
Total remuneration	**425,784**	608,243

During the years 2013 and 2012, key management personnel did not exercised any share options granted through the share-based payment plans.

17. Capital disclosures

The Company's objectives in managing its capital are to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company's capital is composed of shareholders' equity. The Company's primary uses of capital are to finance exploration expenditures and acquire properties. To effectively manage the Company's capital requirements, the Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives.

The Company expects that its current capital resources and its ability to obtain additional financing will support further exploration and development of its mineral properties.

The Company is not subject, in regards of external rules, to any requirements regarding its capital, except in case that the Company completes a flow-through financing for which the cash must be reserved for exploration. As at December 31, 2013, the Company's cash reserved for exploration was $569,784 ($873,129 as at December 31, 2012).

As at December 31, 2013, shareholders' equity was $9,886,737 ($10,613,196 as at December 31, 2012).

18. Related party transactions

	December 31, 2013	December 31, 2012
	$	$
Consultants	**-**	1,000

During the year 2013, the Company had no related party transactions. During the year 2012, a company in which a director of the Company is a minority shareholder provided the Company with consultation services amounting to $1,000. This transaction occurred within the normal course of business and was measured at the exchange value, which is the amount of consideration established and agreed to by the related parties. As at December 31, 2013 and 2012, no amount was included in accounts payable and accrued liabilities.

19. Subsequent event

On April 14, 2014, Cartier repurchased a 1% net smelter return (NSR) royalty on the Benoist property. The Company exercised its first refusal right in respect of this royalty.

The Company issued 500,000 common shares, at a price of $0.15 per share for a total value of $75,000, in consideration for the redemption of this royalty.